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Technical Study 10
PROGRAMS TO ENCOURAGE
EMPLOYMENT: THE PROVINCES OR
MUNICIPALITIES AS AGENTS
Michael Decter
July 1981

**LABOUR MARKET DEVELOPMENT TASK FORCE
TECHNICAL STUDIES SERIES**



Technical Study 10
**PROGRAMS TO ENCOURAGE
EMPLOYMENT: THE PROVINCES OR
MUNICIPALITIES AS AGENTS**
Michael Decter
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This is one in a series of technical studies prepared for the Task Force on Labour Market Development. The opinions expressed are those of the author and do not necessarily reflect those of the Task Force. They do not reflect the views of the Government of Canada.

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TABLE OF CONTENTS

	PAGE
I REVIEW OF EXPERIENCE/ACTIVITY	
i) Provinces - Employment Development	1
a. Direct Job Creation	1
b. Tax Incentives	2
c. As Agent of Federal Programmes or Participant in the Process	2
d. As a Component of Social Services (Transfer Payment Programmes)	3
e. As a Component of Economic Development Efforts	3
ii) Municipalities	4
a. Introduction/Scale Factors	4
b. Sole Programming	4
c. As an Agent or Partner with Senior Governments	4
II CASE STUDIES - FIVE APPROACHES	
i) Introduction	5
ii) Manitoba - Provincial Job Office; Guaranteed Employment System 1970-1977	5
iii) British Columbia - Provincial Rehabilitation and Employment and Employment Program 1976-1980	10
iv) Saskatchewan - Employment Support Program	11
v) Quebec - a Joint Role	15
vi) Canada Manitoba Northlands Agreements 1976-1981 - Federal/Provincial Evolution	15
III LESSONS LEARNED	
i) Provinces	18
a. Objectives	18
b. Design Considerations	19
c. Evaluations (Impacts on Individual vs. Impacts on Communities)	19
ii) Municipalities	
IV NEW DIRECTIONS, OPTIONS - POTENTIAL/RECOMMENDATIONS	
i) Federal Use of Provinces and Municipalities as Delivery Agents	21
ii) Cost-Shared Options	23
iii) Solo Provincial Efforts - Future Trends	23
iv) Solo Municipal Efforts - Future Trends	24

	PAGE
V PROGRAM IDEAS	
i) Canada Heritage Employment Fund	25
ii) DREE Acceleration	26
iii) Urban Community Development Corporations	27
iv) Integration Social Services - Employment Development	27
 <u>Appendices</u>	
 APPENDIX 1	1
<u>Program Summaries by Type</u>	
 APPENDIX 2	2
<u>Canada Heritage Employment Fund - Housing</u>	
 APPENDIX 3	3
<u>DREE Agreements - Active</u>	
 APPENDIX 4	6
<u>Community Initiated Developments - A List of Examples</u>	
 APPENDIX 5	14
<u>Manitoba Special Municipal Loans and General Emergency Fund: Guidelines and Administrative Procedures</u>	

ABSTRACT

PROGRAMS TO ENCOURAGE EMPLOYMENT: THE PROVINCES OR MUNICIPALITIES AS AGENTS

Michael Decter

The 1970s witnessed a rapid expansion and diversification of the role of the state in direct job creation and employment development programming in Canada. The purpose of this report is to catalogue, chronicle and analyse the role played by provinces and municipalities in this field. From the lessons of the 1970s, the report draws conclusions about a provincial/municipal role in the next decade.

The range and diversity of employment efforts, coupled with their prevailing short-term tendency, render the task of detailing each one unreasonable. Instead, major programs are categorized and general conclusions are derived. The focus is on program objectives, basic design elements and client groups. Several programs are singled out and reviewed to illustrate key points.

One area worthy of further examination is the general convergence of several different policy/programming thrusts of the federal and provincial governments. The common ground includes the concept of community economic development, economic development planning and employment development. This idea is examined in detail through the review of several case studies.

The final section of the report suggests a number of ideas, concepts and criteria for federal/provincial efforts in job creation. It is recognized that negotiation is a

basic necessity of federal/provincial relations at this point in our nation's history. It is also recognized that regional and provincial differences will dictate a variety of approaches. Flexible programming with room for modifications to suit regional and provincial economies is a premise of the report. The strategic use of existing provincial and federal-provincial mechanisms is also advocated as an effective means of achieving implementation. A case is also made for an enlarged provincial role in employment development.

SOMMAIRE

PROGRAMMES DE STIMULATION DE L'EMPLOI EXÉCUTÉS PAR LES PROVINCES OU LES MUNICIPALITÉS

Michael Decter

Les années 1970 ont été le témoin d'une expansion et d'une diversification rapides du rôle de l'État dans la création directe d'emplois et l'élaboration de programmes de développement de l'emploi au Canada. L'étude vise à recenser, à analyser ainsi qu'à faire l'historique des interventions provinciales et municipales dans ce domaine. A partir de l'expérience des années 1970, des conclusions sont tirées quant au rôle que pourrait jouer les provinces et les municipalités dans ce domaine au cours de la prochaine décennie.

La diversité des mesures liées à l'emploi, combinée au fait qu'elles ont toujours tendance à être à court terme, empêche d'emblée une étude approfondie de chacune de ces mesures. Les principaux programmes ont donc été répartis en catégories et on en a tiré des conclusions générales. L'étude s'attache surtout aux objectifs des programmes, à leurs éléments de structure fondamentaux et aux groupes visés. Plusieurs programmes sont classés et examinés à l'appui des arguments principaux.

Une des questions qu'il vaudrait la peine d'examiner plus à fond, c'est la convergence générale de plusieurs initiatives distinctes en matière de politiques et de programmes et entreprises par les autorités fédérales et provinciales. On peut dégager comme dénominateur la notion du développement économique communautaire, de la planification du développement économique et de la stimulation de l'emploi. Cet aspect de la question est examiné en détail à l'aide de plusieurs études de cas.

La dernière partie de l'étude propose un certain nombre d'idées, de notions et de critères pour les activités fédérales et provinciales en matière de création d'emplois. Il est clair qu'à ce moment précis de notre histoire, les relations fédérales-provinciales doivent absolument être marquées au coin de la négociation. On reconnaît en outre que les différences régionales et provinciales dicteront diverses méthodes. En ce sens, les programmes devront être assez souples pour pouvoir être adaptés aux économies régionales et provinciales. De plus, on préconise qu'une utilisation judicieuse des mécanismes provinciaux et fédéraux-provinciaux en place s'avérerait un moyen efficace de mettre en oeuvre ces programmes. Enfin, on étudie la possibilité que les provinces jouent un rôle plus important dans le domaine de la stimulation de l'emploi.

I REVIEW OF EXPERIENCE/ACTIVITY

i) Provinces - Employment Development

a) Direct Job Creation

During the past decade, most provinces initiated some form of direct job creation programming. The basic characteristics of this programming included allocation of funding largely for payment of wages and establishment of project selection machinery. A list of provincial programs is attached as Appendix 1. Direct job creation has targetted various of the three basic categories of unemployment. These three categories can be described as follows;

Structural Unemployment

Structural unemployment refers to those who have no work because there are no jobs for a significant group of a certain age, skill level or in a certain geographical or institutional location. Those who comprise the structurally unemployed can usually be identified by their age, sex, geographic region, income or ethnicity. Training and placement services which aid the functioning of labour markets are of little use in reducing structural unemployment. The general level of economic activity is also not very closely linked to structural unemployment. Low participation rates, high unemployment rates and low incomes characterize groups.

Seasonal Unemployment

Seasonal unemployment is the predictable consequence of an extreme climate with weather-dependent economic activities. A predictable level and monthly pattern always exists during the winter. Seasonal unemployment persists regardless of the buoyancy of the economy.

Cyclical Unemployment

Cyclical unemployment results from the regular fluctuations in business activity over 3 - 4 years characteristic of capitalist economies. The target groups will normally have an attachment to the labour force and the concern is not so much over their lack of labour market activity and inadequate levels of income but with the interruption of work and the stream of income. The concern is with temporary hardship. This being the case direct job creation programs to combat cyclical unemployment could be designed principally to provide employment to primary earners.

The target populations for direct job creation efforts varied with some common ground across Canada. For example, summer youth employment programs were a general phenomena. As well, the unemployed employable (i.e. social assistance recipients deemed able to work) became a general target.

Rapid growth in Canada's labour force in the 1970s produced levels of unemployment unknown in the previous post-World War II period. As well, changing participation rates for women greatly increased competition for jobs in some sectors. These demographics provided the motivation to both federal and provincial governments to enter the direct job creation field. As the decade progressed, job creation programs became increasingly complex and sophisticated. A deeper analysis of existing unemployment began to provide a basis for differentiating between programs aimed at seasonal unemployment (e.g. summer students); cyclical unemployment (e.g. industrial workers) and structural unemployment (e.g. native north).

The general intent of provincial direct job creation has been to alleviate cyclical unemployment and, to an extent, seasonal unemployment. However, certain components of the job creation efforts have focussed on structural unemployment. This report will argue that a closer tie to economic development programming is essential if employment is to assist the task of reducing structural unemployment.

b) Tax Incentives

With growing publicity directed at a minority of obviously frivolous projects and therefore the most vulnerable of funded direct job creation projects and a general hardening of attitudes toward perceived "make work" projects, attention turned to tax incentives in a number of instances. Since the effectiveness of tax-incentive-based programs required as recipients profitable corporations, the emphasis shifted from public sector or non-profit groups to the corporate sector. Federal leadership is evident with the introduction of the Employment Tax Credit in 1978. This credit provides a reduction in federal tax based on hourly wage employees added to firm payrolls as a result of the program.

Some provinces have undertaken an employment-related tax credit but no thorough evaluations are available to allow determination of impacts.

c) As Agent of Federal Programs or Participant in the Process

As noted below Quebec participated as a decision-maker in project approvals for federal direct job creation efforts in that province. As well, all provinces participated in a Winter Works Capital Fund program initiated by the federal government in the 1980s. Other provincial participation has included representation on project review boards, information exchange and consultation through federal-provincial manpower ministers.

One absent element which has continually antagonized provinces is any pre-notification by the federal government regarding its job creation intentions. Most provinces wish that some information could be made available in advance of federal announcements to facilitate planning of complementary provincial efforts.

d) As a Component of Social Services

One area of direct provincial concern and cost-shared activities between the federal and provincial levels of governments is the creation of jobs for "employable" recipients of social assistance. The Canada Assistance Plan provided a mechanism for Work Activity Projects that allow provinces to cost-share some job creation cum training activities. As well provincial governments initiated programming in this area. The Saskatchewan Government's Employment Support Program (ESP) and the B.C. Government's Provincial Rehabilitation and Employment Program (P.R.E.P.) are both examples of provincially initiated efforts. They are discussed as case studies below.

e) As a Component of Economic Development Efforts

A number of provinces initiated job creation/employment development activities as a component of business or economic development efforts. In part, the justification of provincial government business development efforts always contained a strong element of job creation. The focus of most provincial efforts has been in three areas:

- a. locational incentives to industry
- b. enterprise development assistance
- c. entrepreneur development assistance

Most provinces have also created loan funds (Saskatchewan Economic Development Fund, Manitoba Development Fund) to assist enterprises. This entire net of programs share job-creation objectives although their overall objectives are broader. A convergence of projects created under LEAP or similar programs and small business development efforts seems logical. Both groups of organizations have similar needs in the areas of financing, technical assistance and feasibility analysis.

Towards the end of the 1970s a greater provincial focus on small business employment was evident. Job creation programs which had previously excluded "for-profit" activities were generally expanded to assist small firms in hiring additional staff. Typically these efforts provided a partial wage subsidy or grant to cover a specific number of new employees. In some instances young workers (new labour force entrants) were the specific target group. Little evaluation data is available. This is unfortunate since it does not allow any conclusions about the retention of employees hired due to incentives.

ii) Municipalities

a) Introduction/Scale Factors

The thousands of municipal and local governments across Canada range from village or rural councils on one extreme to urban metropolitan councils on the other extreme. Their expenditures run the gamut from a few thousand dollars a year to hundreds of millions. For this reason generalizations about municipalities must be segregated on a size basis.

The major urban governments in Canada include about two dozen cities with over 50% of the nation's total population. These governments are at a scale where job creation programming is a real possibility. The balance of rural municipalities, small towns and village councils do not possess the necessary resources to make a serious job creation effort.

The proximity of local governments to the local economy is a reasonable supporting argument for their involvement by senior levels of government as part of a delivery process. Even the major urbans, whose policies are often geared to luring private investment with tax breaks and industrial parks, could be involved in a more creative fashion.

b) Sole Programming

There is no available evidence of sole programming in the job creation area undertaken by local governments,

c) As An Agent or Partner with Senior Governments

In the 1970s the Manitoba Government created a Special Municipal Loans Fund to encourage job creation through expanded capital investment by local governments. While the specific program is examined below as a case study and further detail is critical, the point is that the agent role was successful. So long as the inducement does not lead local governments into the construction of white elephant projects, unsustainable with ongoing local revenues, the approach is sound.

II CASE STUDIES - FIVE APPROACHES

i) Introduction

The following five case studies are presented with the intention of allowing some insight into the history of provincial involvement in the policy field. Each of the case studies has a different slant rooted in that province's economic and policy context. Yet each case study poses interesting questions and suggests interesting directions for federal and federal-provincial policy in 1980. An understanding of the very considerable scale as well as the broad scope of provincial efforts is a necessary foundation for anticipating and planning the future role of the provinces as federal agents in this field.

ii) Manitoba - Provincial Job Office; 1970 - 1977 Guaranteed Employment System

In March, 1973 the Manitoba provincial government tabled its Guidelines for the Seventies planning document in the provincial legislature. The Employment and Manpower chapter of that report set forth a bold design for transforming the province's existing job creation programs into a Guaranteed Employment System. (GES) Both the job creation programs initiated by Manitoba in the 1970s and the concept of a GES are worth examining.

In policy planning terms, Guidelines represented a turning point for the social democratic Schreyer government. It set forth principles and attempted to provide a framework for further program development. While implementation fell far short of the hopes of the planners, some important new programming did emerge.

The Provincial Job Office (PJO) emerged as the administrative focal point for a series of job creation efforts. The evolution of those programs allows insight into the provincial role in the job creation field. Before reviewing actual programs, the GES concept, which never received sufficient support to be implemented, is of interest.

GES represented the extension of the job creation policy thrust from reactive to activist in basic scope. It was outlined in a section of the Guidelines document as follows:

"Guaranteed Employment Scheme

The Economic Overview chapter outlined this government's clear commitment to a policy of full employment, despite obvious federal responsibility and superior capability to ensure this objective. This will be accomplished in part through the counter cyclical application of provincial spending power and in part through a more rational activist approach to economic planning and development.

Both of these approaches are somewhat slow, although the response time will be reduced through improved forecasting and increasing experience in application during the plan period. Nonetheless, there will be times when autonomous changes in aggregate demand or federal policy will create unemployment which must be absorbed on an interim basis until longer-term provincial policy can absorb those displaced. A Guaranteed Employment System (GES) is designed to fill the need for a continuing vehicle to act as an employer of last resort.

The Manitoba government is prepared to guarantee employment at prevailing local wage levels (at or above the minimum wage) to anyone able and willing to work at that wage. The province can assume the responsibility for creating as many jobs as necessary, when they are necessary, by developing a decentralized system for identifying social needs, planning flexible employment projects for meeting those needs and implementing those projects when the employment opportunities are required. The effect of this system would be to shift the burden of adjustment to variations in private sector labour demand from the individuals who are displaced but bear no responsibility for the variations in demand, to the public sector.

The jobs created would not be 'make work' but would meet real social needs. Examples of construction projects which would be undertaken under GES include construction and renovation of housing, improved sewer and water services, improved streets, and roads, community buildings such as libraries, recreation centres and office facilities, school and health facilities and parks. Service projects might include public education programs such as health education, home services for the elderly and handicapped, recreation and community development programs and environmental research, monitoring and protection.

The GES is a common sense, direct solution to short-term unemployment. It would employ human resources which would otherwise be idle, and therefore wasted, in the provision of socially useful goods and services. Thereby social wealth will be created which would not have existed.

This Government can proceed to implement the GES by building on the Provincial Employment Program and the Accelerated Capital Works Program which have been established by the Government to fight the totally unacceptable levels of winter unemployment resulting from perverse federal fiscal and monetary policy."

Guidelines for the Seventies
Province of Manitoba, March 1973.

With buoyant provincial government revenues produced by a boom phase in both the national and provincial economy and the impact of inflation on the tax system, the GES seemed an appealing option. One year later, after OPEC initiated oil-price increases, tax indexing and a rapid deterioration in the national and provincial economic position, the idea held less attraction.

The Guaranteed Employment System was never implemented in Manitoba. Sufficient financial resources were simply not available. It is worth noting that the combination of provincial job office programs and the strong economy of the province in 1973-74 came close to realizing the objectives of the GES. Total provincial job creation efforts in that year reduced unemployment by nearly 1%.

The Manitoba government initiated a series of job creation programs brought together under the administrative control of the Provincial Job Office (PJO). The PJO was lodged centrally in the government with a direct reporting link to the Winter Works Committee of Cabinet chaired by the Premier. Annual allotments of funds for programmes determined the scale of the annual programme although project approval by the Winter Works Committee allowed policy discretion at the Cabinet level throughout the year.

The major programme operated by the Provincial Job Office was the Provincial Employment Program (PEP). Under the general heading of PEP, a variety of components were operated.

Most of the components direct funding into existing institutions although community groups were also eligible under one component. Table 1 lists the various components during the peak of PEP activity.

Two of the components listed above deserve special attention. The Pensioner's Housing component and the Hospitals component each illustrate important points.

The Pensioner's Housing Component of PEP provided grant assistance to pensioner-homeowners to enable them to carry out necessary repairs to their homes. The component evolved into a separate program administered by the Manitoba Housing and Renewal Corporation. By 1976, it had been renamed the Critical Home Repair Program and extended to low-income earners as well as pensioners. The success of the program as an instrument for both job creation and a means of preserving older housing units was significant. As well, it greatly furthered the province's objectives for income redistribution. Over the period 1970-77, the program assisted with the repair of 10,000 homes. The program was copied in other provinces (e.g., Saskatchewan - Residential Rehabilitation Program).

The Hospital component is noteworthy because the federal government contributed funds through the existing federal-provincial agreements in the health-care field. Expenditures by the province

TABLE 1
PEP Components 1974

Component	Budget Allocation	Amount of (as of May 31, 1974) Grants	Estimated Man-months of Work
Local Groups	\$1,000,000	\$ 992,385	1,927
Municipalities	1,000,000	869,580	1,682
Schools	500,000	426,581	951
Hospitals	1,736,500	1,728,265*	1,890
Anti-litter	1,000,000	909,081	1,352
Farm	1,000,000	511,978	1,035
Co-operatives	500,000	416,381	619
Northern/Remote	700,000	432,672	635
Indian Bands	500,000	348,068	619
Sub-Total	7,936,500*	6,634,991	10,710
Pensioner Housing	2,000,000	1,380,264	--
Total	\$9,936,500*	\$8,015,255	--

*Including \$236,500 in federal money.

through the PEP Hospital Component financed maintenance on an accelerated basis. This resulted in savings to both levels of government in their capital facilities replacement programs for health institutions. In this instance, the federal financial input did not result in a federal role in project selection.

Over the period 1970-77 the programs administered by the Provincial Job Office evolved in a consistent direction. The early years were characterized by short-term funding of a wage-labour nature on one hand and an acceleration of capital projects on the other, PEP and Capital Works Acceleration were the major instruments of policy.

In the 1977, the allocation of dollars to the various job creation components was as follows:

Inner City Employment Program	\$ 500,000
MHRC - Renovation of Public Housing	1,000,000
Departmental - Youth	2,000,000
Local Government Improvement	2,000,000
Hospitals & Schools	2,000,000
Drought Relief	1,000,000
Accelerated Capital Works	6,500,000
Communities and Local Groups	2,000,000
Employment Incentive for Small Businesses	3,000,000

The evolution of programmes was in the direction of a closer link between communities, their local governments, economic development planning and the job creation process. The Special Northern (Native) Employment Programme (SNEP) utilized job creation dollars to complement Special ARDA and other economic development dollars in cost-shared, long-term development projects. The Inner City Employment Program (ICEP) had a similar mandate in Winnipeg's inner city but did not receive full implementation prior to a change in government.

The Employment Incentive for Small Business represented the first extension of Manitoba's program efforts to the "for profit" sector.

The 1977 change of government in Manitoba led to a dramatic reduction in job creation efforts. Activities were limited to youth employment and tax/grant incentives.

To facilitate and encourage municipal governments to actively participate in employment development activities, the province, under

PJO, created the Special Municipal Loans Fund. This fund advanced loans to municipal governments for capital projects. Loans were forgiven according to a formula based on the seasonal impact of the man-months of employment created by the projects.

From an original program model of short-term job creation via individually initiated projects, the gamut of activities under the Provincial Job Office direction evolved. This evolution was in the following directions:

1. community economic development - long-term projects supported by short-term employment dollars;
2. a role for municipalities; and
3. a concern with the problems of the urban core as well as rural areas and the remote north.

A few selections from Premier Schreyer's Statement on the Government's 1977 Special Employment Program underscore these conclusions:

"The most effective method of ensuring job creation on a large scale and with the shortest possible lead time - is through a direct employment program.

They put people to work with as short a delay as possible.

They reduce the costs of social assistance and other transfer payments.

They give people money to spend, thus stimulating the economy, assisting business and helping every person who is already employed, and

They guarantee that the work which is done will be directed towards high priority, socially useful purposes."

This emphasis on "socially useful purposes" characterized not only Manitoba's efforts but those of most senior governments.

iii) British Columbia - Provincial Rehabilitation and Employment Program (PREP) 1976-1980

William Vander Zalm, B.C.'s controversial Minister of Human Resources, gained office determined to slash welfare rolls and put "unemployed employables" to work. His rhetoric constituted a hard embodiment of the work ethic. His challenge to the social planners of

the Department of Human Resources produced the Provincial Rehabilitation and Employment Program (PREP).

The core thesis of PREP was summarized by Mr. Vander Zalm as "Think about it - 24,000 employable people in British Columbia, without jobs or unemployment insurance, on welfare.... We believe that everyone wants to participate in the social and economic life of his or her community. Steady jobs help that happen. It is from rehabilitation of the physically, socially and economically handicapped that we'll derive our greatest collective benefit for program dollars invested."

The striking emphasis of the program was on the unemployed themselves. The B.C. government calculated that 24,000 of 127,000 persons on social assistance were employable. They also sought to enlist the support of the general populace by calculating the cost of payments to the target group at \$62.5 million per year. The policy was succinctly summarized by the Minister as,

"Wherever possible, applicants will be provided with work instead of welfare."

In outlining the "multi-pronged attack" the Minister made clear both the positive and negative incentives to client participation. Of special importance was the decision to refuse social assistance to reluctant participants in the rehabilitation and employment activities.

An essential operational aspect of PREP was a partnership with Canada Manpower. In this respect, the intervention via PREP aimed at increasing the successful operation of the labour market rather than directly creating jobs. However, other components of PREP added functions such as referral community action work activity training and employment incentives. Crucial to the intake function of PREP is the determination of unemployable versus employable status.

While no exhaustive evaluation is available on the B.C.'s PREP. initiative, the overall indication is that its performance did not meet the original lofty goals. The immigration of young workers to British Columbia has continued at a high rate rendering a program such as PREP of limited value as a panacea.

iv) British Columbia, Saskatchewan - Employment Support Program (ESP)

The Employment Support Program (ESP) was initiated by Saskatchewan's Department of Social Services in 1973. The program model for ESP has as its central premise the following approach.

"The income security system administered by the Department of Social Services rests on a theoretical assumption that employment is the most desirable source of income for the individual. In the open labour market, however, competition for available employment is usually based on the quantity and quality of the individual's productive abilities relative to others in the labour pool. The labour market, unmodified, has been chronically unable to provide opportunities sufficient to meet the needs of all those who could benefit from employment.

The public assistance caseload at any given time includes many people who are motivated to work and capable of being productively employed at some level. These people who have been brushed aside from the economic main-stream by the competitive structure. As individuals, their barriers to employment can include lack of marketable job skills, geographic location, racial or cultural prejudice, personal or family problems, physical or mental disabilities, or many other factors which cause them to be at a disadvantage when competing in the labour market force.

In practice, the individual's barriers to employment have been dealt with as individual inadequacies, personal pathologies, to be "treated" by applying measures to improve the person's behaviour. Because this practice ignores the external or socially-based causes of chronic unemployment and dependency, the present welfare system has been ineffective in promoting personal independence. In fact, experience has shown that the social assistance situation, in itself, often results in further retardation of personal development.

The tools and resources for dealing effectively with the problem of chronic dependency were not available, either within the SAP system or elsewhere. The department responded to this deficiency by attempting to develop new, more productive program alternatives, particularly in the area of direct employment. It was and is assumed in policy orientation that employment is more beneficial and acceptable to both clients and the general public than welfare. Within the department's responsibility to provide basic income, the substitution of earnings from employment for assistance as a means of support was expected to hold greater potential for actually reducing dependency and its negative social side-effects, and for promoting self-sufficiency and personal development for the

department's clients. These general assumptions about the value of direct employment programs as an approach have been supported over time by considerable research, by ESP experience, and by the experiences of a variety of other job creation programs.

The Employment Support Program was conceived as a temporary program to provide short-term employment opportunities for SAP recipients, through grants for community projects designed and operated by groups of recipients. Its function was seen partly as a "pilot", to identify, develop, and test jobs creation program alternatives to SAP."

ESP Evaluation, Internal Document

The objectives of ESP were detailed in 1974-75 as follows:

- "(a) To reduce the social and economic costs of poverty and dependency.
- (b) To provide those types of opportunities and support services which will enhance the employability, productivity and independence of social assistance recipients.
- (c) To identify and reduce the disincentives and barriers to employment faced by social assistance recipients.
- (d) To create employment opportunities appropriate to the needs and abilities of recipients as an alternative to public assistance when such opportunities are neither available nor being created by normal labour market activity or by federal government programming.
- (e) To encourage the participation of communities in the development of job creation activities which will employ recipients and at the same time provide services, products and facilities to these communities.
- (f) To assist recipients to identify and take advantage of existing opportunities for educational upgrading, vocational training on the job and stable employment.
- (g) To encourage the federal government and its various departments to develop programs relevant to the particular needs of competitively disadvantaged individuals and to areas of high employment within the province."

Internal Documents

The scale of the Employment Support Program has grown from an initial pilot level of \$502,511 in 1973-74 to well in excess of \$2.0 million per annum. An internal evaluation by the Saskatchewan Department of Social Services indicated that the province recovered approximately the same amount from reductions in social services assistance payments as it expended on ERP.

One comment from that evaluation is interesting in the context of this review. It is a fair general statement of provincial government attitudes towards federal distinctions between income maintenance/social assistance programming and employment development programs.

"From a provincial perspective, federal attitudes regarding cost-sharing of employment programs are certainly confusing. Under current agreements, a large proportion of expenditures under SAP are cost-shared. SAP/CAP was conceived not only as an income-maintenance system, but also as a rehabilitative mechanism. The province's job creation programs, ESP in particular, are providing capable of rehabilitation of significant numbers of the assistance caseload, at reduced cost in public funds. However, National Health and Welfare is willing to cost-share only provisions of social services, employment supports for the physically disabled, and activities relating to the social casework rehabilitation mode, and to date no other federal jurisdiction has offered real financial input to provincial job creation activities."

The overall point is straightforward. Provinces are puzzled that activities which perpetuate 'dependency' or 'maintenance' relationships between the state and individuals have been eligible for cost-sharing. More developmental programming directions have received far less encouragement via cost-sharing by the federal government. At the heart of the provincial view is an awareness of the appropriateness of the income maintenance delivery agent playing a role in more developmental activities.

Saskatchewan's ESP effort has some similar structural elements to B.C.'s PREP initiative although the emphasis differs markedly.

Saskatchewan's effort took external conditions as the key variable and addition of jobs and work activity as a developmental instrument. B.C.'s program viewed the unemployed individual and the imperfection of labour market information as the variables to be modified. Saskatchewan's programming has been more successful to date.

v) Quebec - A Joint Role

The Quebec government secured for itself a larger participatory role in federal job creation programming (early 1970s) than any other province. In the 1977-72 fiscal year, the Quebec government vetted through its Department of Municipal Affairs all projects submitted to the federal Department of Manpower and Immigration by municipal corporations (governments).

The next year (1972-73) the Quebec government sought and obtained a consultative role on all projects. A veto power was obtained in 1973 by the province over all 100% federally funded job creation projects. The veto was exercised on approximately 5% of projects. Allocation of budgets regionally and choice of individual participants remained entirely within the federal authority. The Quebec government felt strongly that its participatory role in project approvals allowed complementarity between provincial departmental efforts and the job creation initiatives launched by Ottawa. The quality of projects was also positively affected.

Overall, the Quebec experience demonstrates scope for provincial input to direct federal job creation efforts.

vi) Canada-Manitoba Northlands Agreement 1976-1981
Economic Development - Employment Development

There is great importance to examining the content of a subsidiary agreement signed between the federal government and a province under the General Development Agreement umbrella created by the Department of Regional Economic Expansion (DREE). The Canada-Manitoba Northlands Agreement is selected for two reasons. It is current and this author is familiar with its basic direction. The importance of DREE agreements for the formulation of a provincial role in employment development is directly tied to the federal-provincial relationships evolved through DREE. While processes of bargaining and negotiation have produced lengthy delays and frustration compared to the relative simplicity of direct federal job creation measures, the result has been a vehicle with great continuity and consistency. The five-year nature of the agreements has compelled both governments to plan their efforts. The thesis of this section is that:

- 1) a substantial number of parallel activities existed under the various direct job creation programs and under the Northlands agreements;
- 2) this phenomena is likely more general than one agreement;
- 3) the delivery role of the province under Northlands has been relatively effective; and

- 4) this leads to the overall suggestion that employment development (CEIC) dollars could be directed through DREE agreements as one option for utilizing existing provincial delivery capacity.

To some degree, the Northlands Agreement has already involved Canada Manpower, Transport Canada and DIAND. This involvement is evidenced by the five-year summary of costs in Table 2 below.

However, the inclusion of other Departments in the overall financial picture has not yet produced coordination or an overall development strategy. Job creation programs are still able to independently initiate projects which are not complimentary to the overall development approach of the Agreement.

DREE's component of the Agreement has evolved from purely an infrastructure role in the direction of economic development. While infrastructure needs continue to require and receive attention, the movement towards development of economic base activities has continued under the Agreement.

Canada-Manitoba Northlands Agreement

Summary of Costs 1976-81

Federal Five-Year Federal Share

<u>Sector</u>	<u>Federal Agencies</u>			<u>Total Federal Share</u>	<u>Total Prov. Share</u>	<u>Five-Year Total Costs</u>
	<u>CMI</u>	<u>TC</u>	<u>DIAND</u>	<u>DREE</u>		
Resources & Community Economic Development				\$ 3,000.0	\$ 2,000.0	\$ 5,000.0
Human Development and Community Services	\$ 5,516.0		\$14,993.0	48,100.0	24,473.0	93,082.0
Transportation & Communication		\$ 7,500.0		13,900.0	14,267.0	35,667.0
Coordination and Pilot Action Research				3,000.0	2,000.0	5,000.0
Total Costs	\$ 5,516.0	\$ 7,500.0	\$14,993.0	\$68,000.0	\$ 42,740.0	\$138,749.0

III LESSONS LEARNED

i) Provinces

a) Objectives

The following section looks at objectives stated and unstated and their attainment by provinces engaged in job creation efforts. The foremost objective, the creation of employment was a not too surprising outcome of nearly all programs. Two basic lessons seem to have emerged. The first is that even short-term job creation programming will develop a dependency for both services (provided by projects) and for jobs. These demands do not vanish with the cessation of a particular program. To the extent that community groups are mobilized and organized by projects they become lobbyists on behalf of a continuance of funding. Again, not surprisingly, the focus is continuance of the project not overall short-term job creation funding. A consensus exists among many at the community level that there must be a better way to fund these activities. To date the lobbying activity has forced an evolution of programming from very short term (12-20 weeks) to medium term (6 months - 4 years). Capital components of projects have also gradually expanded. Project staff, depending on their skills, are often leaders of active organizations to perpetuate projects.

The second lesson generally learned from a decade of experience is that job creation projects generally hire participants in the secondary labour market. These individuals alternate between project employment (at or near minimum wage levels); low paid private sector employment; training courses; social assistance and Unemployment Insurance. Career ladders or long-term stability of employment are not a frequent factor in the employment histories of these workers. Direct job creation adds one additional element to the secondary labour market. It does not break down barriers to primary labour market jobs.

Judged against these two lessons the objective of reducing unemployment can be seen to be partially though only temporarily attained. Future programming is likely to be modified by either more limited objectives or a greater longevity of funding.

A frequent but generally unstated objective of provincial direct job creation efforts has been the recycling of participants onto the eligibility list for Unemployment Insurance payments. This feature also applied to a number of the federal government's own efforts. The Auditor-General in reviewing the Canada Employment and Immigration Commission commented on this phenomena.

"For example, there are claimants who would not otherwise be entitled to receive benefits except for their participation in federal and provincial job creation programs, since they have not been in the past and may not seriously intend to be in the future, permanently attached to the labour force (or regularly contributing unemployment insurance premiums). In such cases the minimum employment required to qualify for benefits is sufficiently short to cause the program to function more as a welfare plan than an insurance plan. Although these programs do not violate the Act, the federal programs are somewhat inconsistent with its insurance objective, and the effect of the provincial and municipal programs is to transfer some portion of welfare costs from provincial administration to the federal Unemployment Insurance program."

Auditor General

The dubious success of this cynical approach is noted in a review of Manitoba's job creation efforts. Only 5% of those hired through provincial job creation efforts had a subsequent claim for UIC.

b) Design Considerations

'Coordination', a word rendered nearly meaningless by overuse, creeps into any discussion of the design of job creation programming. Because early efforts were extraordinarily ad hoc, in flat contradiction of long traditions of gradualism in public sector policy development, the basic lesson accepted is that greater 'coordination' is essential. The definition of coordination includes both inter-departmental resolution of objectives and intergovernmental resolution of objectives. The practicality of this degree of coordination is less than certain. Direct job creation measures, particularly those initiated in response to an application external to government are likely to run the risk of conflict with established programs and policies. An example of this would be the funding of day care centers with job creation funds even though other funding had been withheld for policy reasons. Unless a burdensome and extensive approval process is established this 'coordination' will remain an elusive element in the design of programs. The only other resolution of this situation is the use of existing program delivery agents with job creation as an added dimension or an acceleration factor. A risk with the use of other programs as a conduit for job creation funds is that the objectives of employment development may be lost or substantially diluted.

c) Evaluations (Impacts on Individuals vs. Impacts on Communities)

To a large degree the impact of employment development funds is influenced by the project approval process. Where communities and individuals perceive the approval process as remote and mysterious the "lottery" syndrome is evident. The "lottery" syndrome is a situation where little understanding of the approval process leads to a view of it as extremely random. This view leads to a lack of credibility for

the sponsoring government. It also leads to a situation in which individuals view the job creation process as a win-lose proposition not as a contributor to overall community development. Positive developmental impacts on individuals were in evidence from the evolutions of various provincial job creation efforts. No discussed in any depth were the implications of the job creation efforts for communities. Were communities enhanced? To what degree and in what regard? These remain largely unanswered questions from an organizational standpoint. It is clear that communities benefited from physical facilities and addition of services. The longevity of the provision of those services and the availability of funds to operate community facilities were far from certain outcomes. In a number of instances facilities sit idle and needed services were provided only temporarily. The impact of this end result is mostly bewilderment and a deepening of cynicism.

ii) Municipalities

The objectives of those municipalities that acted as agents of provincial job creation programs have been quite narrow. Two general themes may be discerned from limited and largely undocumented experience. The first theme is that funds were used to displace tax revenues for such activities as brush clearing. These labour intensive activities involved zero skill development and a strong back. The second general theme is in the area of capital projects. Municipal governments utilized available job creation funds to construct capital works otherwise not available to them.

The only concrete suggestions to be put forward with regard to the use of municipalities as agents were as follows:

1. Program design should be as simple as possible to facilitate the involvement of smaller municipalities.
2. Operating cost implication of all capital projects should be detailed in advance to avoid 'white elephants.'
3. Forgivable or partly forgivable loans may be a means of utilizing the municipal level to undertake desired employment development.

In major urban centers a severe situation requiring employment development programming exists. This ghetto phenomena is particularly pronounced in those urban centers where native in migration is a major factor. The lessons derived from the municipal role in employment to date in Canada have little to offer in this regard. Of much greater applicability is the U.S. experience with Community Development Corporations. (CDC's). This experience is alluded to later in the report.

IV NEW DIRECTION OPTIONS - POTENTIAL/RECOMMENDATIONS

i) Federal Use of Provinces and Municipalities as Delivery Agents

A major obstacle to the extension of the delivery agent role to provincial and municipal governments is the strongly perceived Federal need for a presence and credit for its efforts. The task for policy innovation is to determine a formulation for programming which utilizes effective provincial administration while obtaining sufficient national visibility. It is suggested that allocation of funds for information and promotion is a more sensible approach than a sole delivery role for the federal government. The existing base of provincial and federal-provincial programming experience should be utilized not dismissed.

RECOMMENDATION 1

It is recommended that future federal job creation programming efforts be structured to allow joint planning and project-level consultation with provinces (municipalities where appropriate).

RECOMMENDATION 2

It is further recommended that future federal job creation efforts be directly tied to federal, provincial and federal-provincial economic development efforts in as many instances as possible. (municipalities where appropriate).

These first two recommendations provide the central direction of this report. The provinces' track record dictates their inclusion as does their proximity to the delivery of basic services to the citizenry. Any and all employment development efforts affect the creation and delivery of goods and services most often in the public sector. Direct job creation by the federal government requires provincial input if it is to avoid the waste of duplicated services or the trauma of short-term funding of longer term needs. Examples abound of projects providing needed services supported under the temporary federal job creation and then turning, eager for further funding, to resentful provincial governments. This phenomena can be greatly reduced, without the destruction of innovation, by a consultative process. The key notion is one of discussion and review (similar to Quebec's). Not contemplated is a reduction of participation and initiative from community and other non-government groups.

The second recommendation takes the employment development thrust one step further towards local or community economic development. Earlier, this report has noted the evolution of short-term job creation in the direction of longer term or self-sustaining economic development. The intent of this recommendation is to suggest utilizing employment funds to support and enhance the economic development effort. Further recommendations add concrete proposals for urban areas and for the use of existing agreements. The case to be made here is that the

reinforcement of economic development is a better long-term solution, to structural unemployment, than a series of short-to medium-term job creation initiatives. The greater value of permanent, stable jobs and the additions to national output constitute the societal benefits. On an individual level the personal development benefits and improvements in self-esteem are as valuable as the income benefits.

RECOMMENDATION 3

It is recommended that the federal government, in cooperation with provincial governments, develop Community Development Corporations as a vehicle for direct job creation linked to a plan for economic development. The priority to be urban areas with a later review of applicability in rural and northern areas.

In this regard, the U.S. experience dating back to the 1960s, Robert Kennedy, the Bedford-Stuyvesant Development Corporation and Lyndon Johnson's War on Poverty is rich with lessons. In the United States, Community Development Corporations have proven a useful focus for urban redevelopment efforts. They have combined local inputs with substantial federal dollars to create needed services, develop businesses and to create jobs. They have also leveraged private investment dollars to allow a broader, larger impact.

One of the most difficult tasks to be faced in confronting core area urban problems is the unwieldy relationships between the three levels of government and the proliferation of small social service agencies. Both these factors add constraints to the ability of the federal government to face a major employment problem. Those in poverty in core areas of major urban centres are isolated from developmental institutions. Their relationship to the larger society is one of dependence and maintenance. In Western Canada, native migration has greatly swollen the size of this population group. Effective action has been limited to short-term job creation funding. Without institutional development, these cycles of funding have a negligible long-term impact.

Rather than hundreds or thousands of small-scale projects the approach advocated is a smaller number of large-scale (one to several million dollars) Community Development Corporations. Key ingredients in this new direction will be:

1. legislation
2. long-term funding mechanisms
3. C.D.C. - community ownership
4. performance standards

It is not suggested that CDC's constitute the only employment development vehicle. Rather it is the strong recommendation that this larger scale, longer term entity be added to the array of existing forms. In the United States there are only 41 CDC's of the type contemplated here. In the Canadian context a decade commitment would be successful if it produced two dozen successful CDC's.

ii) Cost-Shared Options

RECOMMENDATION 4

It is recommended that in provinces with existing Canada-province DREE or similar agreements consideration be given to the use of job creation funds for the acceleration of activities planned under such agreements. Priority to be given to high unemployment provinces and regions within provinces.

The strength of this recommendation is that it utilizes a planned, existing mechanism rather than short-term, ad hoc measures to increase available employment. Carefully implemented it could take advantage of slack provincial capacity produced by restraint policies of various provincial governments. It would also eliminate the competition between longer term DREE efforts and short-term job creation projects in a number of communities. Appendix 3, indicates the broad scope and the number of existing subsidiary agreements existing between the federal government and the provinces.

RECOMMENDATION 5

It is recommended that provincial housing corporations and CMHC serve as a conduit for the redirection of job creation funds.

Investment in upgrading housing stock is a job creation direction with significant social benefits. A specific program proposal is outlined below. The overall rationale of a housing/building renovation thrust is several fold. The interior nature of most work allows a counter-seasonal impact. Social benefits are large. Income distribution impacts are positive if the program is targetted for senior citizens and low-income earners. As well, renovation work is significantly more labour intensive than new construction. Training and apprenticeship programming in construction trades could be an integral component of this program thrust. Inclusion of natives, women and other disadvantaged groups in relatively high-wage trades could be greatly expanded.

iii) Solo-provincial Efforts - Future Trends

The current budgetary deficits being experienced by all but the oil producing provinces have dampened their enthusiasm for and their ability to pursue direct job creation measures. While measures such as student employment programming and economic/employment efforts directed at disadvantaged areas/individuals continue the mounting of larger scale job creation measures is beyond the financial grasp of most provinces.

A moderate amount of experimentation with tax incentives in the employment field will persist. As well, the wealthier Western provinces can be expected to undertake special measures in the decaying urban core areas of their major cities. These efforts may be cost-shared or solo provincial depending on the direction of policy development and bargaining.

iv) Solo Municipal Efforts - Future Trends

The scope for solo municipal job creation efforts remains almost entirely constrained by finances for all but the largest urban governments. It is unlikely that there will be any significant number of new initiatives by municipalities other than responses to provincial, federal or federal-provincial funding mechanisms.

The proximity of municipalities to the problems of urban core deterioration dictate a role for them in the efforts to counter those forces.

V PROGRAM IDEAS

The following program ideas are specific proposals consistent with the recommendations advanced previously. They are intended in an indicative fashion to suggest directions. It is not the intention of the report to detail these particular programs.

- i) Canada Heritage Employment Fund (CHEF)
 - federal/provincial Cost Sharing
 - The provincial housing corporation as Agent
- ii) DREE Acceleration
 - Federal (Provincial Cost-Sharing)
 - Use of Existing Agreement Mechanisms for Delivery
- iii) Urban CDC's
 - A New Vehicle
 - Four Part Funding (Federal, Provincial, Municipal, Private)
 - Community Economic Development/
 - Development Banking/Job Creation
- iv) Integration Social Service/Employment Developments
 - Federal/Provincial Cost-Sharing

Further detail on each of these ideas is included below.

i) Canada Heritage Employment Fund (CHEF)

This proposal is for the utilization of direct job creation and training money to renovate and rehabilitate existing under-utilized buildings across Canada. There would be two components to the Canada Heritage Employment Fund (CHEF). The first would be CHEF - Housing the second CHEF - Commerical. The Fund would have as its objective the recycling of under-utilized buildings into productive use. It would use existing apprenticeship mechanisms and agreements with contractors to increase long-term employment of target client groups. As well, the impact of expenditures could be timed to reduce the very high seasonal variations in the construction labour force. Because the bulk of renovation work is interior rather than exterior the seasonal difficulties would be minimal. Both of the program components are described in more detail below.

CHEF - Housing

This would be a program to rehabilitate housing owned by senior citizens, low-income earners and non-profit organizations. It would include a component for the conversion of older buildings from factory, warehouse or office use where feasible. The primary objective of CHEF - Housing would be employment creation. Both structural and seasonal aspects of unemployment would be reduced by the program. It is estimated that a year one program of 100 million dollars would allow rehabilitation of 10,000 existing units and creation of 2,000 new units from conversion projects. In total 48,000 man-months or 4,000 man years of employment would be created directly. Multiplier effects would likely double or triple the overall impact.

CHEF - Housing would be a federally funded program delivered by the provincial housing corporations.

The focus of the program on urban inner city areas could give it a major positive impact on energy conservation. To the extent that renovation and conversion promote greater population density and more compact cities, energy would be conserved by CHEF - Housing.

CHEF - Commercial Buildings

This would be a program to rehabilitate commercial buildings and restore them to use. The priority for the program would be as follows:

- 1) Existing federal, provincial and municipal buildings
- 2) Buildings designated by existing heritage groups
- 3) Buildings owned by non-profit organizations
- 4) Other buildings

As with CHEF - Housing the emphasis would be towards offsetting seasonal unemployment and reducing structural unemployment. Activity by the National Capital Commission in the Ottawa-Hull area provides an excellent example of a renovation thrust.

ii) DREE Acceleration Program

The recommendation in the previous section sketches the bare-bones of this idea. Simply stated, it is to achieve job creation objectives by speeding up, where possible, increased spending under existing federal-provincial DREE Agreements. It is important to note that CEIC is one of the Departments participating in a number of such agreements. It is also worth noting that the proposal is not merely to accelerate the expenditures of CEIC's component of existing agreements but all of the expenditures under the agreements. The sensible limit on this proposal is imposed by the practicalities of implementation structures. Avoided should be any disruption of ongoing activities.

The scale of activity possible would require an agreement-by-agreement review.

iii) Urban Community Development Corporations

The recommended program would have a long-term mandate; a legislated vehicle and a tripartite base. (Government, Community Residents, Business) It would parallel the successful elements of the U.S. experience while recognizing the inherently more collective nature of Canadian society, ie. a lesser frequency of inter-racial confrontation. The possibilities are far greater in the Canadian context. The difficulty may well be the shortage or absence of entrepreneurs in a number of situations.

The approach advocated would seek a community organizational process directed towards economic development. Once established it is expected that a Community Development Corporation would undertake activities of both a social and economic development sort. However, it is the central role of community-owned "for profit" activities that will distinguish the CDC from other, previous employment development vehicles. It is community ownership of a stream of income that will finance continuing activities and further development. Self-sufficiency is a central concept for CDC's. The plan for achieving self-sufficiency is not wishful thinking but a structured, step-by-step business development approach. Unlike other employment development projects, initiated with vague hopes of long-term self-sufficiency the CDC's are financially structured, organized and planned to attain that objective.

Necessary to the CDC approach are a set of development finance and resource institutions. In concert with the CDC's this approach will allow the building of real economic capacity at the community level.

iv) Integration Social Services - Employment Development

This area has drifted, in a national policy sense, for over a decade. The Orange Paper had sketched the bare bones of a community employment strategy. Some federal experimentation has taken place. In the 1960s under the Work Adjustment Program and early 1970s under the Work Activity Project area of the Canadian Assistance Plan (CAP).

Later the Community Employment Strategy initiated some pilot projects. As noted above, there have been efforts at a provincial level. Some of these efforts have been developmental vis-à-vis social assistance recipients while others have taken a more punitive direction. Work incentives exist in a number of provinces to encourage recipients, particularly sole support parents (90% women) to re-enter the labour force. Despite a decade and a half of experimentation and the existence of large bureaucratic organizations (provincial level - social assistance administration/federal - manpower services) there has been little real progress. An extension of the Saskatchewan Employment Support Program model is recommended. The closer integration of the counselling-placement activities of Canada Manpower and provincial social service departments is also recommended.

APPENDIX I

Program Summaries

Relevant Programmes: Past/Present

Province

Manitoba

- Provincial Job Office
- Provincial Employment Program (PEP)
- Special Northern (Native) Employment Programme (SN(N)EP)
- Special Municipal Loans Fund
- Manpower Corps (Northern and Interlake)
- Pensioner's Home Repair Program
- Student Temporary Employment Program (STEP)

British Columbia

- Provincial Rehabilitation and Employment Program (PREP)
- Community Involvement Program (CIP)

Saskatchewan

- Employment Support Program (ESP)
- Youth Employment Service (YES)

Ontario

- Employment Development Fund Youth Secretariat

P.E.I.

- The Employment Training Corps

Quebec

Alberta

Newfoundland

- Special Job Creation Program
- Employment Opportunities Projects

APPENDIX 2

CHEF - Housing

Three Rehab Winners

Recyclings of old industrial buildings will be an increasingly important source of urban housing in the 1980s.

In New York: 148 apartments from six loft buildings.

In Baltimore: 106 apartments from three factories

Until two years ago the buildings in this project were half-empty, deteriorating factors. Now they're middle-income housing.

In New York: 12 apartments from a garage

APPENDIX 3

Subsidiary Agreements Active During 1978-79

Agreement	Duration	Total Estimated Cost (\$)	Federal Share (\$)
Newfoundland			
Forestry	01/06/73 to 30/09/79	54 966 600	47 778 500
Gros Morne Park Area	01/06/73 to 31/03/80	22 935 200	20 641 680
St. John's Urban Region	30/09/74 to 31/03/80	68 000 000	51 000 000
Ocean Research and Development (NORDCO)	01/01/75 to 31/03/80	4 910 080	4 419 072
Inshore Fisheries	01/06/75 to 31/03/81	11 761 000	10 584 900
Highways 1976-81	01/04/76 to 31/03/81	101 160 000	88 244 000
Plannings	01/03/76 to 31/03/81	6 385 000	4 000 000
Labrador	03/12/76 to 31/03/81	22 097 000	19 662 300
Mineral Development	17/12/76 to 31/12/81	12 458 000	11 212 200
Tourism Development	01/01/78 to 31/03/83	13 264 600	11 938 140
Rural Development	01/04/78 to 31/03/83	14 580 000	13 122 000
Agriculture Development	14/07/78 to 31/03/83	16 341 300	14 707 170
Nova Scotia			
Mineral Development	17/02/75 to 31/03/80	19 838 000	15 870 400
Metropolitan Halifax-Dartmouth Area Development	31/03/75 to 31/03 80	109 818 800	79 997 000
Strait of Canso Area Development	31/03/75 to 31/03/80	25 835 400	19 265 000
Agriculture Development	22/06/76 to 31/03/81	48 217 000	29 980 000
Industrial Development	22/06/76 to 31/03/81	16 289 000	13 031 200
Planning	22/06/76 to 31/03/80	5 000 000	2 500 000
Forestry	01/04/77 to 31/03/82	60 537 500	36 142 000
Tourism Development	01/04/78 to 31/03/82	13 750 000	11 000 000
Sydney Steel Corporation Assistance	01/08/77 to 31/03/79	19 500 000	15 156 000
Energy Conservation	04/07/78 to 31/03/83	24 875 000	19 000 000
New Brunswick			
Forestry	15/10/74 to 31/03/82	74 228 500	58 902 800
Industrial Development	17/02/75 to 31/03/80	30 277 750	24 182 200
Kent Region Pilot Project	17/02/75 to 31/03/80	7 751 000	6 200 800
Saint John and Moncton Arterial Highways	17/02/75 to 31/03/80	51 200 000	35 840 000
Planning	01/04/75 to 31/03/80	4 875 000	2 437 500
Tourism Development	03/11/75 to 31/03/80	14 743 000	11 794 400
Minerals and Fuels Developments	24/06/76 to 31/03/81	11 313 125	9 090 500
Highways 1977-80	01/04/77 to 31/03/80	56 000 000	42 000 000
Northeast New Brunswick	23/06/77 to 31/03	95 500 000	67 175 000
Development of Agricultural Resources	01/04/78 to 31/03/83	34 622 500	27 698 000

Agreement	Duration	Total Estimated Cost (\$)	Federal Share (\$)
QUÉBEC			
Key Highway Networks	13/09/74 to 31/03/82	448 775 000	205 505 000
Forest Development	26/03/75 to 31/03/82	138 333 000	83 000 000
Industrial Infrastructure	26/03/75 to 31/03/83	137 670 000	82 602 000
Agricultural Development	29/03/76 to 31/03/82	103 266 000	61 960 000
Mineral Development	29/03/76 to 31/03/80	28 600 000	17 160 000
Establishment of a Bleached Kraft Pulp Mill at Saint-Félicien	21/04/76 to 31/03/80	298 000 000	30 000 000
Airport Industrial and Commerical Park (PICA)	18/06/76 to 31/03/82	13 292 000	7 975 200
Water Treatment Facilities for the Montreal Area	30/03/78 to 31/03/82	200 000 000	120 000 000
Tourism Development	06/04/78 to 31/03/83	76 000 000	45 600 000
Public Infrastructure	16/05/78 to 31/03/80	34 876 000	23 261 000
ONTARIO			
Northwestern Ontario	23/05/74 to 31/03/79	50 888 650	25 444 325
Northeastern Ontario	25/03/76 to 31/03/82	28 996 650	14 498 325
Single-Industry Resource Communities	18/10/76 to 31/03/81	19 800 000	10 205 000
Community and Rural Resource Development	07/12/77 to 31/03/83	9 456 650	4 728 325
Forest Management	08/13/78 to 30/09/83	82 236 500	41 118 250
MANITOBA			
Mineral Exploration and Development	01/04/75 to 31/03/79	8 500 000	4 250 000
Manitoba Northlands	01/04/76 to 31/03/81	155 416 000	106 009 000
Industrial Development	01/04/78 to 31/03/83	44 000 000	26 400 000
SASKATCHEWAN			
Planning	01/04/74 to 31/03/79	2 600 000	1 300 000
Qu'Appelle Valley	01/04/74 to 31/03/84	33 700 000	17 960 000
Iron, Steel and Other Related Metal Industries	04/07/74 to 31/03/80	182 800 000	35 000 000
Agribition and Mexabition	23/06/77 to 31/03/79	1 700 000	850 000
Mineral Development	01/04/78 to 31/03/80	2 469 500	1 234 750
Northlands	01/04/78 to 31/03/83	127 000 000	87 000 000

Agreement	Duration	Total Estimated Cost (\$)	Federal Share (\$)
ALBERTA			
Nutritive Processing Assistance	01/07/74 to 31/03/80	17 000 000	8 500 000
1976-79 Northern Transportation	01/04/76 to 31/03/79	30 000 000	15 000 000
Alberta North	01/04/77 to 31/03/82	55 000 000	32 500 000
BRITISH COLUMBIA			
Fort Nelson	23/09/74 to 30/09/78	7 000 000	3 000 000
1976-79 Northlands Highways	01/04/76 to 31/03/79	30 000 000	15 000 000
Northeast Coal Evaluation	01/04/77 to 31/03/80	10 000 000	5 000 000
Industrial Development	08/07/77 to 31/03/82	70 000 000	35 000 000
Agricultural and Rural Development	01/08/77 to 31/07/82	86 750 000	30 000 000
Travel Industry Development	17/10/78 to 17/10/83	50 000 000	25 000 000

APPENDIX 4

Community Initiated Developments - A List of Examples

The evidence of a policy and of an analytical nature presented in this report is supported by a number of existing cases. Each of the cases presents a community economic development opportunity which is tangible. Each of the cases illustrates the inability of the existing array of federal (and provincial) programs to respond to a comprehensive community initiative. It is reasonable to assume a geometric progression in the number of such development proposals or plans.

The real issue is how the federal government intends to respond to these community or region level initiatives? Through what mechanisms?

- I. A Five-Year General Development Plan; 1980-85; Prepared by the Heiltauik Tribal Council; Waglisla, B.C. October, 1980.
- II. Bigstone Forest Products, Wabasca, Alberta, Bigstone Indian Band.
- III. Southwest Region, Association of Métis and Non-Status Indians of Saskatchewan, Regina.
- IV. Planning A decade for Saskatchewan Indian Development; A Proposal to Create Saskatchewan Indian Socio-Economic Development Strategies for the 1980s; The Federation of Saskatchewan Indians; August 28, 1980.

APPENDIX 5

Manitoba Special Municipal Loans and General Emergency Fund Guidelines and Administrative Procedures

INTRODUCTION

1. This program provides fourteen million dollars (\$14,000,000.00) which, subject to appropriate provincial-municipal agreements, is to be loaned to municipalities and local government districts to enable them to undertake, after December 1, 1972, capital projects additional to those previously planned for construction after December 1, 1972, capital projects additional to those previously planned for construction after December 1, 1972; to encourage a concentration of additional activity, there is an incentive providing for forgiveness of a loan to an amount equal to 50% of total on-site labour costs incurred on approved projects; and to encourage construction during the winter, a further incentive allows for forgiveness of a full 100% of on-site labour costs between the December 1 to May 31 winter period.
2. The provincial government has enacted legislation which provides authority to the province to make loans under this program to the municipalities and at the same time to shorten or eliminate various procedures in municipal debt financing arrangements, and in this way to enable municipalities to take full advantage of the payroll subsidy incentive.

GENERAL:

3. The province will assess municipal applications giving preference to those projects which have the earliest starting dates and to those projects which will have the greatest impact on unemployment.

ELIGIBILITY OF PROJECTS

4. Qualifying projects should be job-creating, useful capital works. Normally such works are to be additional to what had been planned prior to December 1, 1972. Although no firm deadline is here set for the completion of approved projects, the government reserves the right to institute such a deadline with due notice provided to all participating municipalities and Local Government Districts (12 months).
5. Although there is no deadline for applications, the government reserves the right to set such deadlines with due notice provided to all municipalities (3 months). Priority will be given to those project applications having the earliest starting dates and those projects expected to have the greatest impact on unemployment.
6. The provincial government will reserve the right to reconsider loan commitments for approved projects in those cases where construction is not started within 12 months of the dates given on the approved applications.

7. "Capital development project" will be interpreted to mean any work or works that provide long-term benefits, e.g. buildings, roads, and streets, parks and recreation facilities, water and sewer works, construction of bridges, road allowance clearance in advance of construction, etc. In selecting municipal projects in urban centres, preference will be given to those projects which (a) are within established development plans (b) provide development leverage by facilitating other planned projects and (c) have a demonstrated community interest not met in current provincial programs. The construction of buildings or other facilities for sale to private firms or individuals will not be eligible; also construction of buildings or other facilities for lease to private firms or individuals will not generally be eligible except where it may be demonstrated that such projects will clearly result in public benefit, and where the municipality undertakes to ensure that such building or facility will remain in municipal ownership.

7.1 A municipality may make application on behalf of a private organization pursuant to Section 5 (3) (k) of the Municipal Act and subject to the following conditions:

- (i) that the organization is engaged in service to the entire community;
- (ii) that the service is offered at par cost to all members of the community;
- (iii) that in the event the facility for which a labour forgiveness loan is obtained is sold, or is no longer in use for a general community purpose, an amount equivalent to the labour forgiveness grant paid through the municipality toward the improvement or construction of that facility shall be refunded to the municipality;
- (iv) that accompanying any application on behalf of a private organization there must be a letter of agreement signed by an authorized officer of the organization assenting to the above conditions;
- (v) that any monies owed the Province of Manitoba upon completion of a project approved under the above conditions (monies not covered by labour forgiveness and interest accumulated on advanced funds) will be repaid by the municipality in the normal manner regardless of the particular conditions of the agreement between the municipality and the organization as per Section 5 (3) (k) of the Municipal Act.

8. Projects to which the federal and/or provincial government is contributing financial grants under other programs or arrangements may be eligible for assistance under this program to be determined by the Project Review Committee. In those cases where a federal and/or provincial contribution under another program is related to only part of the costs of a project, the remainder may be eligible for a loan under these arrangements. On the basis of an approximate per capita distribution of loan funds to municipalities, the size of the loan in cost-shared projects will be determined by the nature of the Program contributing to the costs of a particular project. Thus, if said project is tied to some program with built-in equalization, e.g., Manitoba Sewer Water Aid Plan - Rural Communities, then the size of the loan will be determined by the per capita municipal allocations. On the other hand, if said project is not tied to some program using an equalization formula, the size of the loan from the per capita municipal allocations otherwise available under this program.
9. For the purpose of assessing the eligibility of a proposed project, account will be taken of the total employment (direct or indirect) which will result from the proposed expenditures.

AMOUNT OF LOAN FOR AN APPROVED PROJECT:

10. The amount of a loan to be made for a project will not exceed the lesser of the "final cost" of the project or the "loan commitment" entered into by the provincial government in approving the project for loan financing. In either case any loan forgiveness arising from the payroll subsidy will be taken into account. The loan commitment will generally be equal to the estimated cost of a project, or a part thereof, as specified in the original loan application unless, subsequently, a higher estimate is accepted and the provincial government agrees to a correspondingly higher "loan commitment".

DEFINITION OF COSTS ELIGIBLE FOR PROVINCIAL LOANS:

11. The "final cost" of a project includes:
 - (i) expenditures incurred on labour, material, rental of equipment and costs, of professional services as detailed in the Appendix: minus
 - (ii) any grant contributions received or to be received in connection with the project from a public or private source, including any payroll subsidy earned under this program.
12. The cost of land and costs incidental to land acquisition are to be excluded in determining "final costs".

DEFINITION OF "ON-SITE PAYROLL COST":

13. (a) "On-Site Payroll Cost" are costs incurred on the actual construction site and include wages, employer contributions for unemployment insurance, pension plans, workmen's compensation, annual vacations and such fringe benefit expenditures as form part of an agreement an employer has with his employees. Direct on-site payroll costs incurred on eligible projects in respect of full-time municipal employees employed as at December 1, 1972, will not be eligible for provincial forgiveness.
- (b) It is required that municipalities keep payroll records on file to justify loan forgiveness and to meet auditing requirements. In certain instances, municipalities may wish to maintain detailed certified payroll records where estimated labour costs indicated in the original application for a loan are exceeded by actual labour costs. It is suggested that municipalities obtaining their records of on-site labour costs through certified payrolls include a provision in any contract to let requiring contractors to supply this information.
- (c) In each winter period (December 1 - May 31) 100 per cent of the estimated on-site payroll cost will be forgiven. In the remaining months (June 1 - November 30) 50 per cent of the estimated on-site payroll cost will be forgiven. For example, if 20 per cent of the total costs of an approved project is on-site payroll cost, 100 per cent of "winter" on-site payroll cost expenditures and 50 per cent of the remaining on-site payroll cost expenditures will be forgiven.
14. Municipalities will be required to complete a progress statement two months following the end of each "winter" and "summer" period (i.e., by July 31st and by January 31st) until the project is completed. When the project is completed, or a progress payment as requested, municipalities will be required to complete a "Statement of Claim for Loans and Loan Forgiveness". Aforementioned statement and claim forms will be distributed to successful municipal applicants.

ADMINISTRATION:

15. The program will be administered by the Provincial Job Office in cooperation with the Provincial Department of Finance and the Department of Municipal Affairs.
16. The Program Administrator is:

Mr. Floyd Williston
Director
Provincial Job Office
165 Garry Street
WINNIPEG, Manitoba
R3C 1G8

Telephone: 944-2300

He will deal with municipal officials on all aspects of the administration of the Manitoba Special Loans and General Emergency Fund.

17. Provincial project approval, along with the loan commitment, will be forwarded to the municipality immediately following the processing of an application.
18. The Department of Finance will establish the interest rate to be applied to advances, progress payments and to consolidated loans taking into account the rates charged by the Federal Government to the Province under the Federal Winter Capital Projects Fund as announced on December 6, 1972. When progress advances with respect to a project are consolidated into a single loan (or when a number of loans are consolidated into one), the terms and interest rates of the consolidated loans will be determined on the basis set forth in paragraph 21 of this document.

CLAIMS FOR LOAN FORGIVENESS (PAYROLL SUBSIDY):

19. Claims for forgiveness of loans to the extent of 50 and 100 per cent of direct on-site costs will be submitted in the form that will be distributed to successful municipal applicants.
20. Both on-site labour costs eligible for forgiveness and expenditures eligible for loans may incurred on approved projects until the provision of a completion deadline by the government as referred to in Section 4.
- 20.1 Statements of Claim for Loan and Loan Forgiveness must be certified on the basis of adequate payroll records by a municipal auditor; where the auditor is unwilling to certify a claim for lack of adequate documentation, it will be viewed as incomplete and as not having fulfilled the guideline requirements; in such cases the province reserves the right, (a) in extreme cases where documentation is entirely unavailable or inadequate, to not pay any part of such claim, or (b) to assess the claim as follows: eligible loan forgiveness will be determined by reducing by 25% the total claimable on-site labour forgiveness either as projected in the original approved application, or of actual estimable on-site labour costs, whichever is determined to be the more reliable indicator.

LOAN ADMINISTRATION:

21. Disbursement of loans funds in respect of an approved project will be made on the following basis:

- (i) The provincial government may advance to a municipality in one or more payments, funds up to the amount of the loan commitment for the project. Any surplus funds not applied to approved projects will be repaid to the provincial government when final costs are determined. A municipality requesting an advance on its loan should do so by forwarding to Mr. Saul Schubert a letter signed by the Secretary-Treasurer of the municipality.
- (ii) For each advance or progress payment made, the municipalities will issue a temporary security (i.e., promissory note) payable to the Minister of Finance of Manitoba on demand and bearing interest at the rate determined by the Provincial Department of Finance taking into account the rates charged by the Federal Government to the Province under the Federal Winter Capital Projects Fund as announced on December 6, 1972.
- (iii) When final costs are determined in respect of an approved project or projects, the municipality will issue a definitive debenture in exchange for the related temporary securities. Such definitive securities will be payable to the Minister of Finance of Manitoba in the full payment in the full principal amount remaining outstanding in respect of the temporary securities being exchanged. Any such securities will bear interest at a rate equal to the weighted average of the rates borne by the temporary securities for which the definitive debenture is being exchanged and will be repayable in equal annual instalments of principal and interest over a period of up to 20 years. Adjustments will be made for any loan forgiveness earned as well as for accrued interest which the municipality may wish to capitalize and included in the principal of the final debenture, provided that the aggregate of the increased loan amounts does not exceed the approved municipal loan.
- (iv) All temporary securities in respect of all projects having the same term undertaken by the municipality, may be consolidated into a single loan secured by one definitive debenture issued by the municipality, conforming to the terms and conditions and following the same procedures described above for consolidation of disbursements in respect of one project.

GENERAL PROVISIONS:

22. In carrying out work financed under this program, the municipalities will undertake to ensure that:

- (i) all construction and purchase contracts in connection with projects being financed through this program are to be let pursuant to tenders invited by public advertisement, except in those cases where the work is being undertaken by personnel of the municipality concerned;

- (ii) there will be no discrimination in the employment of persons by reason of race, sex, religion or political affiliation;
- (iii) Manitoba materials and Manitoba fabrication will be used to the full extent procurable, consistent with proper economy and the expeditious carrying out of the projects;
- (iv) the facilities of Canada Manpower Centres will be utilized wherever possible in hiring workers for approved projects;
- (v) overtime work on approved projects, except in emergencies is to be excluded. "Emergencies" includes only those circumstance which would not be foreseen and where immediate action is required to save the situation, e.g. shoring up a crumbling trench;
- (vi) All signs erected at project sites will include statements that the work is one which is being assisted by a provincial loan under the Manitoba Special Municipal Loans and General Emergency Fund. Project sponsors will be asked to ensure that signs provided by the provincial government are suitably installed on the construction site. If there are official ceremonies connected with a project, there should be provision for a representative of the provincial government or the Legislative Assembly of Manitoba to be invited to participate, and for the provincial assistance to be acknowledged. The Provincial Government will make appropriate public announcements of loan approvals, after notifying municipalities.
- (vii) the municipality will provide access by authorized provincial officials to records, documents, and files of the municipality participating in the program, to the extent deemed necessary for the audit of costs being claimed under this program.

PROVINCIAL MUNICIPAL AGREEMENTS

23. Formal agreements between appropriate provincial and municipal officials will provide the general framework for the administration of the program.

APPENDIX 5 (a)

Manitoba Special Municipal Loans and General Emergency Fund

The cost of construction of a project shall be the amount determined as the aggregate of expenditures in the following classes incurred by the Municipality during the construction period.

- a) Where the Municipality undertakes work by contract;
 - (i) payments made pursuant to contracts for construction of the approved project entered into by the Municipality with contractors;
 - (ii) payments in respect of construction materials purchased by the Municipality that are necessary for the construction of the project and are furnished to a contractor and used in constructing the project pursuant to the contract between the Municipality and the contractor;
- b) Where the Municipality undertakes work by day labour:
 - (i) payments in respect of Workmens Compensation and Unemployment Insurance contributions and wages (including board and lodging when provided) and appropriate holiday pay required in connection with day labour forces engaged on the approved projects;
 - (ii) payments in respect of the normal operating, maintenance and transportation expenses incurred by the Municipality for equipment owned by the Municipality that is used to perform that work at the rates normally determined by the Municipality.
 - (iii) payments in respect of the rental of equipment not owned by the Municipality in accordance with the usual schedule of rates used by the Municipality;
 - (iv) payments in respect of material used in constructing the projects;
- (c) An allowance for the total engineering costs accrued by the Municipality at a rate of not more than 10% of the total of (a) and (b).

